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C O N F I D E N T I A L SECTION 01 OF 02 MUSCAT 002190

SIPDIS

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SUBJECT: COMMERCE MINISTER ON FTA, SAUDI CRITICISM  
(C-NE4-01168)

Classified By: Ambassador Richard L. Baltimore, III.  
Reasons: 1.4 (b) and (d).

1. (C) Summary: Omani Minister of Commerce and Industry Maqbool bin Ali bin Sultan reassured visiting NEA DAS Philo Dibble that Oman remains firmly committed to signing a bilateral FTA with the U.S. Bluster from the Saudis notwithstanding, Maqbool reiterated that the Omani cabinet has already approved the decision to move forward with an FTA along the lines of the U.S.-Bahrain agreement. While backdoor negotiations between the Bahrainis and Saudis concerning alleged incompatibility between bilateral trade pacts and the GCC charter have failed to yield a definitive resolution, Maqbool is confident that Sultan Qaboos will maintain his unwavering support for a bilateral agreement during the upcoming GCC Summit in Bahrain December 20-21. DAS Dibble emphasized USG support for GCC integration and pledged that we would be willing to work with Oman and other nations to address Customs Union and other concerns during the negotiations. End Summary.

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Getting Down to Business  
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2. (C) On December 12, during a half-hour morning meeting with visiting NEA DAS Philo Dibble and the Ambassador, Omani Minister of Commerce and Industry Maqbool bin Ali bin Sultan pointedly and repeatedly emphasized Oman's desire to move forward on a bilateral free trade agreement (FTA) with the United States. DAS Dibble stressed the USG belief that regional integration would be strengthened through the FTA process, and that the U.S. is willing to work with the GCC on addressing its concerns that bilateral FTAs would undermine the GCC Customs Union.

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All Fingers Point to Riyadh  
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3. (C) Maqbool asserted that the Saudis were caught off guard by the speed with which the U.S. concluded its FTA with Bahrain. In his view, Riyadh believed that it could achieve WTO accession prior to any deal being struck between Washington and Manama. When the Bahrain discussions ended in four months and Oman and the UAE were recently announced as upcoming FTA partners, the Saudis felt their only option was to make a public statement cajoling the other GCC states into honoring the GCC Charter and renouncing bilateral agreements.

(Note: As an aside, Maqbool stated that Saudi Arabia will encounter many bumps along the path to WTO accession, particularly with the EU over its gas sector (NFI).)

4. (C) In spite of such bluster, Maqbool said that Sultan Qaboos and the Omani Cabinet of Ministers agree with the U.S. position that Oman should negotiate a bilateral FTA. He also indicated that progress was being made behind the scenes in the GCC on the issue of FTAs, and that Oman has made its position very clear to the other members. Maqbool predicts that the December 20-21 GCC Summit in Bahrain will yield an accord on moving forward with bilateral agreements, especially in light of Bahrain already having signed its FTA. In the end, the Saudis' biggest concern is the integrity of the GCC Customs Union and its industrial protection policies. Maqbool suggested that a public statement of support for the GCC from the USG would be extremely helpful in resolving the current impasse. DAS Dibble noted this request and reassured the Omani minister that the USG's intent is not to undercut the GCC in any way.

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Taking the Necessary Steps  
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5. (C) Maqbool stressed the need to conclude FTA negotiations by July, and mentioned that the Omani government is taking numerous steps to prepare for this aggressive timetable. Economic expert Dr. Said al-Riyami will be posted to the Omani Embassy in Washington, the Ministry expects to hire other consultants and/or legal advisors to assist in the

negotiations and implementation of an FTA, and the Minister acknowledged the need to cultivate contacts on Capitol Hill. DAS Dibble noted that lawyers helped greatly in the Bahrain negotiations. In comparison with the relatively straightforward ratification system in Oman, Maqbool expressed a newfound appreciation for the complexity of getting FTA ratification in the U.S. Nevertheless, he insisted that an FTA is still Oman's primary goal: "I'm sure it's worth it; we're committed and we're moving forward. We'll get it done."

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Comment  
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16. (C) Maqbool demonstrated a keen grasp of the intricacies and accelerated timetable necessary to achieve an FTA, and his Ministry has been reacting noticeably more quickly in their interactions with the Embassy. While he was reluctant to completely dismiss Saudi recalcitrance on the bilateral FTA dilemma within the GCC, Maqbool appeared confident that the Saudis would have no choice in the end but to accept the reality that the U.S. is moving forward with willing partners in the region.  
BALTIMORE